

Bill protects investors while also revising cost prohibitive regulations

Washington, D.C. - Today, the House Financial Services Committee passed a new, bipartisan amendment introduced by Congressman John Adler (D-NJ) to maintain the exemption for certain small businesses from cost prohibitive regulations. The amendment, supported by Reps. Scott Garrett (R-NJ) and Leonard Lance (R-NJ), to the Investor Protection Act amends section 404(b) of the Sarbanes Oxley Act. The White House expressed support for Congressman Adler's efforts to help create jobs and spur economic growth by protecting our smallest businesses from Section 404(b) of the Sarbanes Oxley Act.

"I am pleased that Congress took a first step toward maintaining this necessary exemption for small businesses from burdensome regulations," said Congressman John Adler, a member of the House Financial Services Committee. "As our economy begins to rebound, allowing small businesses to grow is crucial. This reform will help keep and create jobs for hard-working Americans."

Under direction from the Securities and Exchange Commission (SEC), small businesses have been exempt from section 404(b) for the past seven years. The exemption expires early next year and Adler's amendment will provide stability and predictability for these businesses by permanently exempting them from these costly regulations.

The "one size fits all" regulatory approach to implementing section 404 of Sarbanes Oxley has had a disproportionately negative impact on small and medium-sized companies. The current and pending compliance burden has sent many companies to market overseas or dissuaded them from going public here in America.

Background:

Congressman Adler's amendment will exempt non accelerated issuers, or small businesses with a market capitalization of \$75 million or less from Section 404 (b) of the Sarbanes Oxley Act. It only exempts small companies from complying with this one particularly costly subsection of Sarbanes Oxley while maintaining investor protections by requiring them to continue complying with the rest of the statute.

In addition, it asks the Securities and Exchange Commission (SEC) and Government Accountability Office (GAO) to conduct a study to determine how the SEC can reduce the burden of complying with Section 404(b) while maintain investor protections for companies

whose market capitalization is between \$75 and \$250 million. In the study the SEC and GAO will also consider whether reducing the compliance burden or a complete exemption for these companies will encourage them to list on exchanges in the United States in their initial public offerings.